

Private Equity: Fund of funds

In Preqin's Alternative Assets performance report Q3 2015, ATP Private Equity Partners was awarded the most consistent fund of funds manager. Preqin analysis has shown that the majority of managers with top quartile performing funds have gone on to produce returns that beat the median benchmark with the next fund in the series.

Fig. 2.82 shows the most consistent fund of funds managers for which Preqin holds fund performance data and has assigned quartile rankings. Preqin only assigns quartile rankings to funds mature enough to have meaningful performance data, so recent vintage funds (2012-2014) are not included. Furthermore, the list is restricted to active fund managers that have raised at least three funds of a similar strategy, for which we assign a quartile ranking.

Fig. 2.82: Most Consistent Performing Fund of Funds Managers

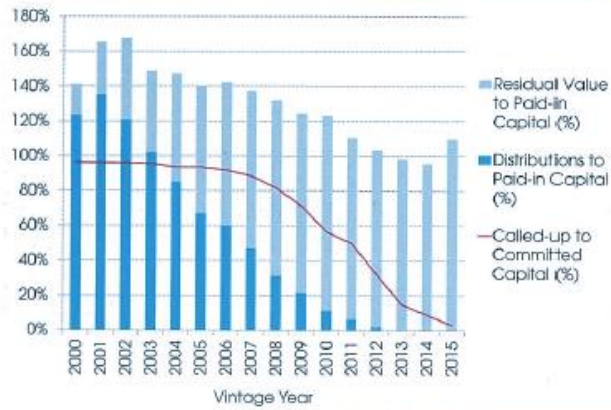
Firm	Location	Overall No. of Funds with a Quartile Ranking	No. of Funds in Top Quartile	No. of Funds in Second Quartile	Average Quartile Ranking
ATP Private Equity Partners	Denmark	4	4	0	1.00
Auda International	US	4	4	0	1.00
Industry Ventures	US	4	4	0	1.00
TrueBridge Capital Partners	US	3	3	0	1.00
Franklin Park	US	5	4	1	1.20
Weathergag Capital	US	4	3	1	1.25
Altamar Private Equity	Spain	3	2	1	1.33
Nordea Private Equity	Denmark	3	2	1	1.33
Asia Alternatives Management	Hong Kong	13	11	0	1.46
Gerber/Taylor Management	US	7	5	1	1.57
Mesirow Financial Private Equity	US	5	3	1	1.60
North Sky Capital	US	6	4	1	1.67
Greenspring Associates	US	6	3	2	1.67
Bay Hills Capital	US	4	3	0	1.75
Storebrand Asset Management	Norway	18	9	4	1.94
JPMorgan Asset Management - Private Equity Group	US	10	4	4	2.00
StepStone Group	US	8	2	5	2.00
747 Capital	US	4	2	0	2.00
Accolade Partners	US	3	2	0	2.00
Drum Capital Management	US	3	1	1	2.00
Old Mutual Investment Group	South Africa	4	1	2	2.00

Source: Preqin Performance Analyst

The report also cites several trends worth noting:

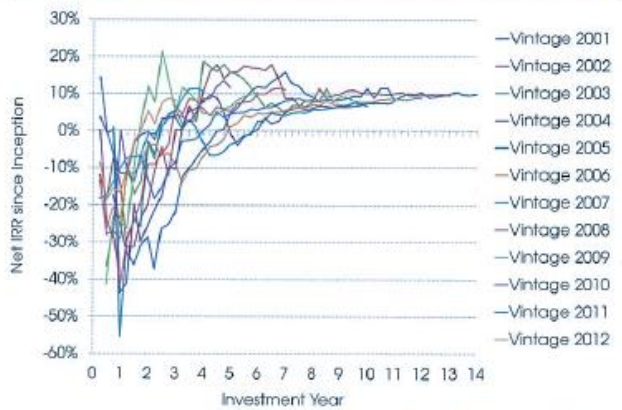
- As expected, standard deviations have been lower for funds of funds compared to other strategies, illustrating the lower risk profiles of these fund types.
- Funds of funds with vintage years 2006 and earlier have a total value to paid-in (TVPI) of greater than 140% (Fig. 2.73).
- The rate at which LPs' commitments tend to be called up is slower than primary funds.
- Returns from funds of funds have tended to be lower compared to most direct strategies at 6-13% IRR for most vintage years, although 2010 and 2011 have shown significantly higher median IRRs at this early stage in their life cycles (Fig. 2.75).
- The KS PME measure suggests that fund of funds have underperformed public markets from vintage 2004 onwards (Fig. 2.76).

Fig. 2.73: Fund of Funds - Median Called-up, Distributed and Residual Value Ratios by Vintage Year



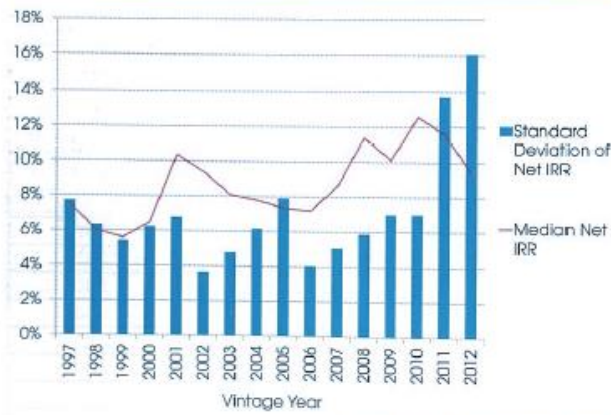
Source: Preqin Performance Analyst

Fig. 2.74: Fund of Funds - J-Curve: Annual Median Net IRRs by Vintage Year



Source: Preqin Performance Analyst

Fig. 2.75: Fund of Funds - Risk/Return Profile by Vintage Year



Source: Preqin Performance Analyst

Fig. 2.76: KS PME: Fund of Funds - All Regions (As of 31 December 2014)



Source: Preqin Performance Analyst